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QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD S.E.C.
152

FORM 10-Q

D92-223

[X] Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the transition period from
---------- to ----------

Commission File Number 0-2616

I.R.S. Employer Identification Number 23-1666392

PROCESSED BY
14-12-X
MAY 22 1992

CONSUMERS FINANCIAL CORPORATION

(a Pennsylvania Corporation)
1200 Camp Hill By-Pass
Camp Hill, Pennsylvania
(717) 761-4230

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Q-Data Corp. - St. Petersburg, FL

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date: 2,857,762 shares of the Company's Common Stock (no par value) were outstanding as of April 30, 1992.

Report continues in part II
Exhibit Index on
page 11 of 19

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	*March 31, 1992 (Unaudited)*	*December 31, 1991*
Assets		
Investments:		
Fixed maturities	$45,520	$46,955
Equity securities	74	70
Mortgage loans on real estate	33,864	33,771
Policy loans	6,480	6,130
Other invested assets	2,108	2,211
Short-term investments	13,286	13,790
Total investments	101,332	102,927
Cash	802	1,369
Accrued investment income	1,516	1,678
Receivables	6,540	7,404
Deferred policy acquisition costs	40,521	40,987
Other assets	9,868	9,722
	$160,579	$164,087
Liabilities, Redeemable Preferred Stock and Shareholders' Equity		
Liabilities:		
Future policy benefits	$72,203	$71,125
Unearned premiums	46,549	49,584
Other policy claims and benefits payable	3,520	3,533
Other policyholders' funds	1,713	1,700
Liabilities to reinsurers	1,092	1,429
Notes payable	6,924	7,220
Other liabilities	7,924	8,054
	139,925	142,645
Contingency		
Redeemable preferred stock:		
Series A, 8 1/2% cumulative convertible preferred stock, net of treasury stock	4,612	4,603
Shareholders' equity:		
Common stock	31	31
Capital in excess of stated value	8,324	8,324
Net unrealized appreciation of equity securities	17	15
Retained earnings	8,664	9,423
Treasury stock, common	(994)	(954)
	16,042	16,839
	$160,579	$164,087

See notes to consolidated financial statements.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands)	*Three Months Ended March 31,* 1992	1991
Revenues:		
Premiums written and policy charges	$9,979	$8,805
Decrease in unearned premiums	3,738	5,503
Gross premium income	13,717	14,308
Less reinsurance ceded	(3,754)	(4,025)
Net premium income	9,963	10,283
Net investment income	1,959	1,974
Net realized investment losses	(28)	(38)
Fees, commissions and other income	1,126	1,021
	13,020	13,240
Benefits and expenses:		
Death and other benefits	4,626	5,616
Increase in future policy benefits	800	679
Amortization of deferred policy acquisition costs	4,303	4,580
Operating expenses	3,743	3,023
	13,472	13,898
Loss before income taxes	(452)	(658)
Income tax expense (benefit)	38	(39)
Net loss	($490)	($619)
Net loss per common and common equivalent share	($0.21)	($0.24)
Net loss per common share - assuming full dilution	*	*
* Anti-dilutive		
Cash dividends declared per common share	$0.05	$0.14

See notes to consolidated financial statements.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	*Three Months Ended March 31,* 1992	1991
Cash flows from operating activities:		
Net loss	($490)	($619)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred policy acquisition costs	4,302	4,580
Deferred policy acquisition costs incurred	(3,836)	(3,606)
Future policy benefits	309	1,011
Unearned premiums	(3,035)	(4,666)
Amounts due reinsurers	(480)	197
Income taxes	60	(685)
Accounts receivable	1,027	587
Other	(110)	(1,103)
Total adjustments	(1,763)	(3,685)
Net cash used in operating activities	(2,253)	(4,304)
Cash flows from investing activities:		
Purchase of investments	(2,020)	(12,292)
Sale of investments	303	2,534
Maturity of investments	3,335	13,760
Purchase of property and equipment	(104)	(98)
Net cash provided by investing activities	1,514	3,904
Cash flows from financing activities:		
Principal payments on debt	(297)	(324)
Receipts, net of withdrawals, from universal life and investment products	769	1,008
Purchase of treasury stock	(40)	(120)
Cash dividends paid	(260)	(115)
Net cash provided by financing activities	172	449
Net increase (decrease) in cash	(567)	49
Cash at beginning of period	1,369	1,507
Cash at end of period	$802	$1,556

See notes to consolidated financial statements.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Unaudited)

1. **General:**

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring items) necessary to present fairly the Company's consolidated financial position as of March 31, 1992, the consolidated results of its operations for the three months ended March 31, 1992 and 1991 and the consolidated changes in its cash flows for the three months ended March 31, 1992 and 1991.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 1991 annual report to shareholders.

The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

2. **Contingency:**

Reinsured risks would give rise to liability to the insurance subsidiaries only in the event that the reinsuring company might be unable to meet its obligations under the reinsurance agreements in force.

The Company is a defendant in a class action lawsuit in the State of Georgia seeking monetary damages arising from alleged excessive credit insurance charges and payment of excessive commissions between 1983 and 1989. Plaintiffs allege that this conduct violates Georgia Insurance Regulations and the Georgia Racketeer Influenced and Corrupt Organizations Act and are seeking treble and punitive damages and attorneys fees. This case is virtually identical to class action lawsuits filed by the same attorneys against at least 30 other insurers in Georgia. The Company has responded to the suit and preliminary hearings and discovery are in progress. The parties have agreed to settle this litigation subject to court approval.

3. **Segment Divestiture**

On March 9, 1992, the Company announced its intention to discontinue writing new individual life insurance business and to sell its Individual Life Insurance Division. The Division generated pre-tax operating losses of $450,000 and $233,000 for the three months ended March 31, 1992 and 1991, respectively. Additionally, a charge to earnings of $1,000,000 was reflected in the 1991 financial statements as a write-off of deferred policy acquisition costs related to this Division. No significant developments have occurred during the three months ended March 31, 1992 regarding the divestiture.

4. **Subsequent Event**

The Company is in violation of a loan covenant relating to a downgrade of the Company's A.M. Best rating. The violation, if not cured within a one year period, would trigger an event of default. The Company believes that sufficient opportunity exists to prevent this situation from becoming an event of default.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OVERVIEW

The Company reported an operating loss in the first quarter of 1992 of $490,000, or $.21 per share, compared to a $619,000 loss, or $.24 per share, in the same period a year ago. Improved disability claims ratios in the Credit Insurance Division accounted for the improvement, but the better ratios were partially offset by higher expense ratios in that Division and increased losses in the Individual Life Insurance Division, which is being phased out during 1992.

The table below compares revenues and earnings for the first quarter of 1992 and 1991.

(in thousands, except per share amounts)	1992	1991
Total revenues:		
Premiums written and policy charges	$9,979	$8,805
Net investment income	1,959	1,974
Net realized investment losses	(28)	(38)
Fees, commissions and other income	1,126	1,021
	$13,036	$11,762
Pre-tax loss	($452)	($658)
Income taxes (benefit)	38	(39)
Net loss	$490)	($619)
Net loss per common share	($.21)	($.24)
Source of pre-tax income (loss):		
Credit Insurance Division	($351)	($738)
Individual Life Insurance Division	(450)	(233)
Auto Auction Division	338	331
Corporate	41	20
	(424)	(620)
Net realized investment losses	(28)	(38)
	($452)	($658)

RESULTS OF OPERATIONS

A discussion of the most important factors affecting first quarter operating results in each of the Company's three divisions is presented below.

Credit Insurance

After reporting declines in credit insurance premiums in the first quarter of each of the last three years, premiums in the first three months of 1992 increased 9.5%, or $608,000, over the same period last year to $7 million. All of the increase is attributable to premiums produced through two groups of auto dealer accounts acquired in April and July of 1991, which accounted for $1.1 million in premiums in 1992. Premiums written through banks in Ohio declined by $250,000 compared to the first quarter of last year due to the loss of the bankers' association endorsement and the subsequent cancellation of the bank business early in 1992. The continuing slump in the auto industry resulted in generally flat production from all other sources. Although there are indications that a slow economic recovery has begun, its impact is expected to have only minimal effects on 1992 credit insurance premiums. Consequently, the Company is projecting only a modest increase in the Division's premium revenues for the year (from $31.9 million last year to $33 million in 1992).

Pre-tax operating results in the Credit Insurance Division improved from a $738,000 loss last year to a $351,000 loss in 1992. The reduction in the operating loss is due to improved disability claims experience in Ohio. Claims in Ohio were exceptionally high throughout 1991 and particularly in the first two quarters of the year. While results have improved in Ohio, that segment of the Credit Division remains unprofitable and, as in 1991, is responsible for the Division's entire first quarter loss. Life and disability claims ratios continue at levels well above those which had historically been achieved by the Ohio subsidiary prior to its acquisition by the Company in late 1989. Reduced premium levels due to economic conditions and the loss of the bank business have also created higher than anticipated expense ratios in that state. A review of the viability of the Ohio operation is in process and a decision concerning continuing in that market is expected by mid-year.

Disability claims ratios in the Division's other markets also improved compared to the first quarter of 1991. Much of that improvement, however, was offset by higher life claims ratios and increased expense ratios. The Credit Division's profitability has also been affected by its current investment income levels. Although investment income is about the same as in 1991, investment income earned by the Credit Insurance Division has decreased from its 1989 first quarter level of $1.3 million to $1.1 million in 1992, principally as a result of the reduction in premium revenues over the past several years. To a lesser extent, lower interest rates have also contributed to the decline in investment income.

Individual Life Insurance

The Company's unprofitable Individual Life Insurance Division is in the process of being phased out, as announced in March of this year. The phase-out plan involves the discontinuation of new business production and the sale of the Division's in-force book of business. During the second quarter, the Company effectively terminated about two-thirds of its new business production through an agreement reached with a large unaffiliated insurer. This arrangement has essentially converted the Company's direct marketing organization into a general agency operation. The marketing organization will soon begin to write new premiums for the other insurer and the Company will receive a commission on the business produced. The remaining one-third of the Company's new production, which is marketed by another insurer through a joint venture, is in the process of being terminated.

These actions are significant because they will reduce the strain on regulatory capital and surplus during the remainder of 1992 until the block of existing individual life business is sold. The Company's inability to finance its growth in this line of business, in terms of maintaining its regulatory capital and surplus level, was a principal factor in management's decision to discontinue the individual life operation. An independent valuation of the existing in-force policies is in the final stages of being completed and the process of soliciting offers for the sale of the block of business will be started soon. The Company is optimistic that the sale of the inforce business will be completed by December 31, 1992.

Auto Auction

Interstate Auto Auction's fee revenues rose 3% in the first quarter to $991,000 as a result of continued increases (11% in 1992) in the volume of vehicles sold through the auction. Pre-tax profits from the auction were up slightly in 1992 to $336,000 compared to $331,000 for the three months ended March 31, 1991.

FINANCIAL CONDITION

(in thousands, except per share amounts)	March 31, 1992	December 31, 1991
Invested assets	$101,332	$102,927
Total assets	$160,579	$164,087
Total debt	$6,924	$7,220
Total shareholders' equity and redeemable preferred stock	$20,653	$21,442
Debt as a percent of total capital	25.1%	25.2%
Shareholders' equity per common share	$5.61	$5.88

Invested Assets

The reduction in invested assets which the Company experienced throughout 1991 continued in the first quarter of 1992. Invested assets declined $1.6 million from year end to $101.3 million at the end of March. The drop in the asset base reflects the impact of reduced cash flows in the Credit Insurance Division.

Asset quality remains relatively sound. Only one bond in the Company's portfolio, representing less than 1% of the fixed maturities portfolio, is considered non-investment grade. The market value of all bonds and other fixed maturity investments was $1.2 million higher than the book value of those securities at March 31, 1992. Seven mortgage loans with March 31 balances of $4.6 million (13% of the mortgage portfolio) are still considered non-performing since interest on them is more than 90 days past due. Although the economic conditions which precipitated the problems with most of the loans continue, the Company has improved its position with regard to non-performing loans since early in 1991, when most of the problems began, through workout arrangements involving conditional rent assignments and cross-collaterization of properties. At June 30, 1991, 11 mortgages with principal balances of $7 million were more than 90 days past due, while at year end, ten loans with balances of $5.6 million were considered non-performing. Even though no significant losses on any loans in the mortgage portfolio are anticipated at the present time, a $350,000 reserve for possible losses has been established ($300,000 in 1991), and the Company expects to continue increasing the reserve by about $50,000 per quarter throughout 1992.

Liquidity

The Company's operating subsidiaries have historically met most of their cash requirements through funds generated from operations, although reduced credit insurance revenues, in particular, and economic conditions, in general, continue to negatively impact the insurance companies' operating cash flows. The Company must usually rely on its operating subsidiaries to provide it with sufficient cash funds to maintain an adequate liquidity position. In that regard, the life insurance subsidiaries are also subject to restrictions imposed by law on their ability to transfer cash to the Company in the form of dividends, loans or advances. Recently passed or pending legislation in the states which regulate the insurance subsidiaries will further restrict the payment of dividends and other distributions by those companies. Interstate Auto Auction and Guardian Insurance Agency provide the Company with sources of cash which are not subject to insurance regulations that restrict their ability to transfer cash. The net cash used in consolidated operating activities for the three months ended March 31, 1992 and 1991 is presented in the Consolidated Statements of Cash Flows.

Capital Resources

Total equity, including redeemable preferred stock, decreased $800,000 since December 31, 1991. The decrease was attributable to the loss from operations ($490,000) as well as dividends to shareholders ($260,000).

The Company's insurance subsidiaries continue to utilize reinsurance agreements to finance their credit and individual life insurance operations and maintain adequate levels of statutory capital and surplus. These agreements minimize reductions of statutory surplus which result from new premium production.

The Company's principal subsidiary, Consumers Life, continues to experience some reduction in its regulatory capital and surplus as a result of losses in its Individual Life Division. The plan to cease writing new business, as discussed above, should reduce these losses in the remainder of the 1992, especially in the last half of the year when the strain from all new production should be eliminated. In addition, the sale of the existing policies is expected to have a positive impact on regulatory surplus.

As a result of Consumers Life's increased use of these surplus relief reinsurance agreements and its 10% drop in regulatory capital and surplus in 1991, A.M. Best Company, a national insurance company rating organization, has advised Consumers that it intends to lower the company's rating. Management is presently discussing this matter with the rating organization. The rating downgrade could have some effect on the Company's ability to market its credit insurance products in the future; however, management believes that alternative marketing arrangements exist which should minimize any impact this rating change may have.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Except for the matter discussed in Note 2 to the Notes to Consolidated Financial Statements included elsewhere in this Form 10-Q, neither the registrant nor its subsidiaries are involved in any pending legal proceedings other than routine litigation incidental to the normal conduct of its business nor have any such proceedings been terminated during the three months ended March 31, 1992.

Item 2. Changes in Securities

During the three months ended March 31, 1992, there have been no limitations or qualifications, through charter documents, loan agreements or otherwise, placed upon the holders of the registrant's common or preferred stock to receive dividends.

Item 3. Defaults upon Senior Securities

The registrant has not defaulted in the payment of principal, interest or in any other manner on any indebtedness and is current with all its accounts. There is no arrearage in the payment of dividends on the registrant's preferred stock.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders of the registrant during the three months ended March 31, 1992.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required to be filed by Item 601 of Regulation S-K:

(11) Computation of Earnings per Common Share.

(b) Reports on Form 8-K:

Form 8-K was filed on March 11, 1992 reporting on the announcement by the registrant of its intention to discontinue its Individual Life Insurance Division.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSUMERS FINANCIAL CORPORATION
Registrant

Date May 19, 1992

By _____
James C. Robertson, President
(Chief Executive Officer)

Date May 19, 1992

By _____
R. Fredric Zullinger
Senior Vice President, Chief Financial Officer
and Treasurer

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
EXHIBIT 11
COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	*Three Months Ended March 31,*	
	1992	*1991*
Primary Earnings Per Share		
Reconciliation of net loss per Statements of Operations to amount used in primary earnings per share computation:		
Net loss	($490)	($619)
Preferred dividend requirement	(105)	(114)
Accretion in carrying value of preferred stock	(9)	(9)
Net loss, as adjusted	($604)	($742)
Reconciliation of weighted average number of shares outstanding to amount used in primary earnings per share computation:		
Weighted average number of shares of common stock and equivalents outstanding	2,859	3,091
Net loss per common and common equivalent share	($0.21)	($0.24)

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
EXHIBIT 11
COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	*Three Months Ended March 31,* *1992*	*1991*
Fully Diluted Earnings Per Share		
Reconciliation of net loss per Statements of Operations to amount used in fully diluted earnings per share computation:		
Net loss	($490)	($619)
Reconciliation of weighted average number of shares outstanding, as adjusted, per primary computation on preceding page, to amounts used in fully diluted earnings per share computation:		
Weighted average number of shares outstanding, as adjusted, per primary computation on preceding page	2,859	3,091
Add shares issuable from assumed conversion of 8 1/2% cumulative convertible preferred stock	729	754
Weighted average number of shares of common stock and equivalents outstanding	3,588	3,845
Net loss per share - assuming full dilution	*	*

* Anti-dilutive